



**st**  
**steel&tube**  
STRONGER IN EVERYWAY

Half Year Report 2015



# Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Steel & Tube's results for the six months to 31 December 2014 reflect strong growth. We continue to demonstrate earnings and revenue momentum while making significant investments in facilities, plant and connectivity to improve the customer experience.

This sustained success is underpinned by hard work, an ongoing programme of significant operational change and our S&T Stainless acquisition, which continues to perform in line with our expectations.

Continuing through another year of robust earnings growth signifies Steel & Tube's ability to deliver sustainable results to our shareholders combined with enhanced capability and customer experience.

## Results

The trading result for the six months to 31 December 2014 is a profit after tax of \$10.8 million.

This is an increase of 35 per cent compared with the same period last year, and is consistent with expectations.

Sales have increased by \$46.5 million, or 22 per cent, to \$258.2 million on improved volumes and margins.

Net operating cash flow improved by \$12.6 million to \$10.1 million, despite a minor increase in inventory that reflects the increased sales activity.

The half-year result includes the contribution from our April 2014 acquisition of S&T Stainless for the full period, and comes on the back of improved markets, even though growth in those markets moderated throughout the first half.

The net tangible assets per share at 31 December 2014 were \$1.58 compared with \$1.56 at 31 December 2013.

## Dividend

The Directors have declared a fully-imputed interim dividend of 9.0 cents per share to be paid on 31 March 2015, to holders of fully-paid ordinary shares, registered at 20 March 2015. The amount payable is \$7.96 million and a supplementary dividend of 1.59 cents will be paid to non-resident shareholders.

## Performance

Globally the steel industry remains challenged and within New Zealand competition is intense. Against this background Steel & Tube has enjoyed a buoyant first half which has seen our business improve, further cementing our place as a recognised leader in the industry.

The acquisition of the company now trading as S&T Stainless has enhanced our nationwide footprint of 48 distribution and processing centres, and created a strong platform from which we can support the unique needs of local businesses and the sectors they serve.

We continue to make good progress with our ongoing business improvement initiatives. In November we opened the first of three purpose-built facilities as part of our \$30 million re-investment programme. The new Palmerston North site now houses our Processing, Distribution and Stainless operations, offering easy access for customers to the wide range of products all under one roof.

Commissioning of a new facility commenced and another facility currently under construction in Auckland will enhance processing capability, enabling us to better service the North Island's expanding building and construction requirements, underpinning our strength in the manufacturing sector.

New digital hardware currently being rolled out across our sites is set to strengthen communications capabilities and enable faster, real-time interaction among staff and customers.

---

In addition, we are completing the first phase of planning for a new enterprise resource system (ERP) which will further strengthen the customer experience.

We continue to secure significant contracts, providing tangible evidence of the diverse ways in which Steel & Tube works collaboratively and creatively with customers to support the economic growth and development of our cities, towns and communities. These include:

- Auckland's Waterview Connection
- Christchurch's Burwood Hospital
- Central Plains Community Irrigation Scheme
- Govett Brewster Art Gallery, New Plymouth
- The Waiarohia Stream bridge in Whangarei

Our health and safety performance remains strong and consistent with recent years. Improvements in near-miss reporting and root cause analysis continue, enhancing the safety culture that underpins all our operations.

### **Outlook**

Against a global scene of increasing geopolitical uncertainty and financial market volatility, the New Zealand economy continues to advance.

As anticipated, construction has underpinned much of the activity and though this is likely to plateau, those parts of our business aligned to the sector are expected to continue delivering strong results.


Pleasingly, manufacturing is steadily improving and we are encouraged by the latest data which indicates the sector is benefiting from a weaker dollar, along with pull-through from other sectors.

Rural, however, is somewhat varied. Long-term investments in dairy and food processing continue and are assisting those parts of the business aligned to these sectors. The reduction in dairy commodity prices will undoubtedly see some impact on the sector in the short- to medium-term. There is some offset in that beef and sheep are enjoying better conditions.

Globally, steel output continues to increase while demand, especially within China, remains sluggish. Along with deteriorating raw material prices this is creating downwards pressure on steel prices in US dollar terms. The significant and ongoing depreciation in the New Zealand dollar, however, has more than offset this, helping to lift domestic steel prices in recent months. Should the New Zealand dollar continue to depreciate, domestic prices are expected to firm further.

Within Steel & Tube, ongoing transformation through the One Company initiative remains a priority. We continue to do this while serving our customers and supporting our people through various change initiatives.

These changes are yielding results and the company is positive about the second half of the year.



Sir John Anderson  
**Chairman**  
18 February 2015



Dave Taylor  
**Chief Executive Officer**

## Consolidated Interim Statement Of Profit Or Loss And Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Unaudited December 2014 \$000	Unaudited December 2013 \$000
Sales revenue	258,177	211,653
Other operating income	230	172
Cost of sales	(200,287)	(166,104)
Selling expenses	(18,579)	(13,700)
Administration expenses	(11,218)	(10,983)
Other operating expenses	(11,569)	(9,039)
<b>Operating earnings before financing costs</b>	<b>16,754</b>	<b>11,999</b>
Interest income	22	7
Interest expense	(1,682)	(773)
<b>Profit before tax</b>	<b>15,094</b>	<b>11,233</b>
Tax expense - operating income	(4,257)	(3,202)
<b>Profit for the year attributable to owners of the parent</b>	<b>10,837</b>	<b>8,031</b>
<b>Items that may be reclassified to profit or loss</b>		
Other comprehensive income - hedging reserve	447	(442)
<b>Total comprehensive income</b>	<b>11,284</b>	<b>7,589</b>
Basic earnings per share (cents)	12.4	9.2
Diluted earnings per share (cents)	12.4	9.2

## Consolidated Interim Statement Of Changes In Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Share capital \$000	Retained earnings \$000	Hedging reserve \$000	Treasury shares \$000	Share-based payments \$000	Total equity \$000
<b>Balance at 1 July 2014</b>	71,656	91,167	(367)	(2,672)	597	160,381
<b>Comprehensive income</b>						
Profit after tax	-	10,837	-	-	-	10,837
<b>Items that may be reclassified to profit or loss</b>						
Other comprehensive income - hedging reserve	-	-	447	-	-	447
<b>Total comprehensive income</b>	-	10,837	447	-	-	11,284
<b>Transactions with owners</b>						
Dividends paid	-	(7,878)	-	-	-	(7,878)
Proceeds from partly paid shares	61	-	-	-	-	61
Granted/vested during the period - net	-	-	-	-	(100)	(100)
Purchase of own shares - net of transaction costs	-	-	-	(428)	-	(428)
<b>Unaudited balance at 31 December 2014</b>	<b>71,717</b>	<b>94,126</b>	<b>80</b>	<b>(3,100)</b>	<b>497</b>	<b>163,320</b>
<b>Balance at 1 July 2013</b>	71,594	86,859	336	(2,306)	704	157,187
<b>Comprehensive income</b>						
Profit after tax	-	8,031	-	-	-	8,031
<b>Items that may be reclassified to profit or loss</b>						
Other comprehensive income - hedging reserve	-	-	(442)	-	-	(442)
<b>Total comprehensive income</b>	-	8,031	(442)	-	-	7,589
<b>Transactions with owners</b>						
Dividends paid	-	(7,462)	-	-	-	(7,462)
Granted/vested during the period - net	-	-	-	-	(83)	(83)
Purchase of own shares - net of transactions costs	-	-	-	(413)	-	(413)
<b>Unaudited balance at 31 December 2013</b>	<b>71,594</b>	<b>87,428</b>	<b>(106)</b>	<b>(2,719)</b>	<b>621</b>	<b>156,818</b>

## Consolidated Interim Balance Sheet

AS AT 31 DECEMBER 2014

	Unaudited December 2014 \$000	Audited June 2014 \$000
<b>Current assets</b>		
Cash and cash equivalents	24,819	5,795
Trade and other receivables	78,783	86,525
Inventories	118,880	113,002
Derivative financial instruments	193	5
	<b>222,675</b>	<b>205,327</b>
<b>Non-current assets</b>		
Property, plant and equipment	55,507	48,117
Intangibles	24,991	23,522
	<b>80,498</b>	<b>71,639</b>
<b>Total assets</b>	<b>303,173</b>	<b>276,966</b>
<b>Current liabilities</b>		
Trade and other payables	40,692	45,801
Borrowings	-	64,500
Provisions	1,989	1,048
Derivative financial instruments	138	682
Income tax payable	1,870	2,209
	<b>44,689</b>	<b>114,240</b>
<b>Non-current liabilities</b>		
Trade and other payables	569	795
Borrowings	93,430	-
Deferred tax	240	603
Employee benefits	925	947
	<b>95,164</b>	<b>2,345</b>
<b>Equity</b>		
Share capital	71,717	71,656
Retained earnings	94,126	91,167
Other reserves	(2,523)	(2,442)
	<b>163,320</b>	<b>160,381</b>
<b>Total equity and liabilities</b>	<b>303,173</b>	<b>276,966</b>

These consolidated interim financial statements and accompanying notes were authorised by the Board on 18 February 2015.

For the Board



Sir John Anderson, Chairman



Dave Taylor, Chief Executive Officer

## Consolidated Interim Statement Of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Unaudited December 2014 \$000	Unaudited December 2013 \$000
<b>Cash flows from operating activities</b>		
Customers receipts	265,439	216,869
Interest receipts	22	7
Payments to suppliers and employees	(248,632)	(214,170)
Income tax payments	(5,078)	(4,447)
Interest payments	(1,682)	(773)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>10,069</b>	<b>(2,514)</b>
<b>Cash flows from investing activities</b>		
Property, plant and equipment disposals	113	39
Payment for new business purchase (net of cash acquired)	(681)	-
Property, plant and equipment and intangible asset purchases	(11,162)	(2,149)
<b>Net cash outflow from investing activities</b>	<b>(11,730)</b>	<b>(2,110)</b>
<b>Cash flows from financing activities</b>		
Share capital	61	-
Treasury shares - net of transaction costs	(428)	(413)
Borrowings	28,930	8,000
Dividends paid	(7,878)	(7,462)
<b>Net cash inflow from financing activities</b>	<b>20,685</b>	<b>125</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19,024</b>	<b>(4,499)</b>
Cash and cash equivalents at beginning of the period	5,795	(3,591)
<b>Cash and cash equivalents at end of the period</b>	<b>24,819</b>	<b>(8,090)</b>
<b>Represented by:</b>		
Cash and cash equivalents	24,819	3,910
Borrowings - on call	-	(12,000)
	<b>24,819</b>	<b>(8,090)</b>

---

## Notes To The Consolidated Interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 1. Basis of preparation and accounting policies

Steel & Tube Holdings Limited (the “Company”) is registered under the Companies Act 1993 and is a FMC Reporting Entity under the Financial Markets Conduct Act 2013. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group comprises Steel & Tube Holdings Limited and its subsidiaries. The Group’s principal activities relate to the distribution, processing and fabrication of steel and allied products.

The registered office of the Company is at Level 7, 25 Victoria Street, Petone, Lower Hutt, New Zealand.

### Statement of compliance

The Group is a profit-oriented entity and its unaudited condensed consolidated interim financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand’s Equivalent to International Financial Reporting Standard NZ IAS 34: Interim Financial Reporting and International Accounting Standard IAS 34: Interim Financial Reporting.

### Basis of preparation

These financial statements are presented in New Zealand dollars and rounded to the nearest thousand. These financial statements do not include all the information required for full financial statements, and consequently should be read in conjunction with the full financial statements of the Group for the year ended 30 June 2014. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group’s audited financial statements for the year ended 30 June 2014.

### Disclosures

#### 2. Operating segments

There have been no material changes in the nature of operating segments since 30 June 2014.

#### 3. Financial risk management

During the period the Group restructured its borrowings and increased committed bank borrowing facilities to \$110 million. Unless extended earlier, \$55 million of the facility has an expiry date of October 2016 and \$55 million of the facility has an expiry date of June 2017. There has been no other material changes in the management of risk or in any risk management policies in the current period.



---

#### **4. Related parties**

There have been no material changes in the nature or amount of related party transactions since 30 June 2014.

#### **5. Property Plant & Equipment**

The Board has reviewed the estimated useful life for key items of plant and machinery. Plant and machinery will be depreciated over a period between 3 and 20 years (formerly 3 and 10 years). The impact of this change has reduced the depreciation charge for the interim period by \$754,223.

#### **6. Litigation**

The Group has recognised a provision as a result of an interim judgement issued on 18 December 2014 in relation to a \$1.75m claim by Lewis Holdings Limited. The interim judgement found in favour of the plaintiff, however the amount of the award has not yet been determined. Uncertainty exists as to the total damages pending further evidence. The provision is management's best estimate but is substantially less than the full amount of the claim.

On 4 February 2015 an appeal was lodged on the interim judgement issued on 18 December 2014.

#### **7. Subsequent events**

On 18 February 2015 the Board declared a fully-imputed dividend of 9.0 cents per share (\$796 million) and a supplementary dividend to non-resident shareholders of 1.59 cents per share. The dividends will be paid to shareholders on 31 March 2015.

---

## Independent Review Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

---



PricewaterhouseCoopers  
113-119 The Terrace  
PO Box 243  
Wellington 6140  
New Zealand  
www.pwc.com/nz  
Telephone +64 4 462 7000  
Facsimile +64 4 462 7001

TO THE DIRECTORS OF STEEL & TUBE HOLDINGS LIMITED

### Report on the Consolidated Interim Financial Statements

We have reviewed the consolidated interim financial statements (“financial statements”) of Steel & Tube Holdings Limited (the “Company”) and the entities it controlled at 31 December 2014 or from time to time during the period (the “Group”) on pages 4 to 9, which comprise the consolidated interim balance sheet as at 31 December 2014, the consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity, consolidated interim cash flow statement for the period then ended, and a summary of significant accounting policies and selected explanatory notes.

### Directors’ Responsibility for the Interim Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Accountants’ Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly we do not express an audit opinion on these financial statements.

---

Our firm carries out other services for the Group in the areas of other assurance and taxation services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditors of the Group.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group are not prepared, in all material respects, in accordance with NZ IAS 34.

**Restriction on Distribution or Use**

This report is made solely to the Company's Directors, as a body. Our review work has been undertaken so that we might state to the Company's Directors those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers  
18 February 2015

Wellington

### Registered Office

Level 7, 25 Victoria Street, Petone, Lower Hutt, New Zealand  
PO Box 30543, Lower Hutt 5040, New Zealand  
Ph: +64 4 570 5000 Fx: +64 4 569 2453  
Email: [info@steelandtube.co.nz](mailto:info@steelandtube.co.nz)  
Website: [www.steelandtube.co.nz](http://www.steelandtube.co.nz)

### Share Registry

Computershare Investor  
Services Limited  
Private Bag 92119, Auckland 1142, New Zealand  
Ph: +64 9 488 8777 Fx: +64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)  
Website: [www.computershare.com](http://www.computershare.com)

### Auditors

PricewaterhouseCoopers

